



OFFICE OF THE UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

OCT 24 2006

COMPTROLLER

**MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DEPARTMENT OF DEFENSE FIELD
ACTIVITIES
USSOCOM, DIRECTOR OF SORR – J8
ASSISTANT TO THE SECRETARY OF DEFENSE
(NUCLEAR, CHEMICAL AND BIOLOGICAL DEFENSE
PROGRAMS)**

SUBJECT: Military Equipment Valuation Project Business Rules

In 2002, the Federal Accounting Standards Advisory Board issued Statement of Federal Financial Accounting Standards No. 23, "Eliminating the Category National Defense, Property, Plant and Equipment," that requires the capitalization and depreciation of military equipment.

The June 8, 2005 Deputy Chief Financial Officer memorandum entitled Military Equipment Valuation Project Business Rules, was published to assist in the implementation of this objective.

While these business rules addressed many key factors affecting the valuation of military equipment, some items, such as the useful life and capitalization threshold for military equipment, how group and composite depreciation would be implemented as part of the military equipment valuation process, and the allocation of Program Management Office (PMO) costs were not addressed.

Additional business rules enclosed in the attachment provide guidance on these issues. The Office of the Under Secretary of Defense (Acquisition, Logistics and Technology), Property and Equipment Policy Office applied these rules as they developed the military equipment valuation baseline.

As the baseline matures and the Department moves into the second phase of the military equipment valuation process, these business rules (as applicable) will be addressed in an update to the Department of Defense Financial Management Regulation, Volume 4, Chapter 6, "Property, Plant and Equipment."

Questions concerning this memorandum should be directed to Mr. Ric Sylvester, Deputy Director, OUSD(AT&L), Property and Equipment Policy Office, at 703-604-6350 x121.

A handwritten signature in black ink, appearing to read "Robert McNamara", written over a horizontal line.

Robert McNamara

Acting Deputy Chief Financial Officer

Attachments:

As stated